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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2015 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast (U39E).	Application 14-05-024 (Filed May 30, 2014)

ADMINISTRATIVE LAW JUDGE'S RULING INTRODUCING FINAL WORKSHOP REPORT

This Ruling introduces a final workshop report by the Commission's Energy Division with revisions after party comments.

The workshop was led by Energy Division staff on March 8, 2016 pursuant to Decision 15-12-022. A draft workshop report was made available to the service list on June 6, 2016. Parties were allowed to file comments and reply comments.

Revisions to the Workshop Report have been made to ensure accuracy, and we hereby incorporate the final Workshop Report into the record of this proceeding.

IT IS RULED that the Final Workshop Report, attached to this Ruling as

Attachment A, be incorporated into the record of proceeding Application 14-05-024.

Dated September 9, 2016, at San Francisco, California.

/s/ S. PAT TSEN

S. Pat Tsen

Administrative Law Judge

ATTACHMENT A

Before the California Public Utilities Commission

Application 14-05-024

Pacific Gas & Electric's 2015 Energy Resource Recovery Account (ERRA) Forecast:

Power Charge Indifference Adjustment (PCIA) Inputs and Methodologies Workshop Report

Prepared by California Public Utilities Commission Energy Division Staff: Will Maguire, Syche Cai, and Suzanne Casazza

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I. Objective of the Power Charge Indifference Adjustment Workshop

The Power Charge Indifference Adjustment (PCIA) is a charge paid by customers who no longer use the utility to generate or buy power for them. Instead, they buy power from a Direct Access (DA) provider or a Community Choice Aggregator (CCA) entity. The investor owned utility (IOU) still transmits and distributes the power provided by the DA provider or the CCA. The purpose of the PCIA is to ensure that the costs that the utility had incurred in the past to serve the customers now taking service from DA and CCA do not fall unfairly on the remaining utility customers. The PCIA is intended to keep investor owned utility's remaining bundled service customers financially indifferent to the departure of these customers. The charge depends on the above-market costs of electricity portfolio of the utility when those customers were still bundled service customers of the IOU.[1]

[1] There were years when the PCIA has not been a positive charge. The circumstances of how the PCIA would not be a positive indifference charge is explained in D.11-12-018 (2011). That decision determined that an adjustment to the Market Price Benchmark (MPB) portion of the PCIA to account for the market value of renewable resources will result in a more accurate measure of indifference costs. That decision states that "Under current rules adopted in D.06-07-030, DA customers cannot be paid by bundled customers if the indifference calculation shows that bundled customers are better off if DA or CCA load departs (i.e. negative indifference). Instead, if the indifference calculation results in an amount less than zero, the PCIA is set to the opposite of the CTC (Competition Transition Charge), resulting in an indifference amount of zero." (See, p. 35) The years in which the PCIA resulted in a negative indifference for PG&E's pre-2009 vintages are from 2007 to 2015. Pre-2009 vintages did not include any CCA entities because none were in operation. In those years from 2007 to 2015, DA customers did not pay a PCIA charge.

This workshop was ordered to be held by the Commission in decision (D. 15-12-022). That decision authorized the Energy Resource Recovery Account (ERRA) forecast of PG&E's fuel and purchased power costs for 2016.

The objective of the workshop was to discuss the inputs and the methodology used to calculate the Power Charge Indifference Adjustment (PCIA) that customers taking service from Direct Access (DA) providers or Community Choice Aggregator (CCA) entities have to pay to ensure that the customers remaining with the utilities are financially indifferent to their departure. The scope of the workshop was to address: (1) the methodology for calculating the PCIA and whether that methodology should be different for Community Choice Aggregation (CCA) and Direct Access (DA) entities, and if so, what those different methodologies might be; (2) the inputs to the PCIA calculation; and (3) ensuring that all proposals are in compliance with existing Public Utilities Code Sections.

A. Background

I. Parties expressed concerns over the increase in the PCIA adopted by the Commission in PG&E's 2016 ERRA Forecast (Application 15-06-001)

In Application 15-06-001, the Commission issued D.15-12-022, approving Pacific Gas & Electric's (PG&E) 2016 ERRA forecast. As part of the record in this proceeding, some parties expressed concerns over the increase in the Power Charge Indifference Adjustment (PCIA) compared to the last year and raised issues about the availability of data used to calculate the PCIA and the inputs and methodologies used. To address these concerns, the Commission directed the Energy Division to hold a workshop in the first quarter of 2016 to address the methodologies and inputs used for calculating the PCIA.[2] The Commission also required that the PCIA workshop address whether the calculation of the PCIA should

[2] D.15-02-022 at Ordering Paragraph (OP) 3.

be different for Direct Access (DA) and Community Choice Aggregation (CCA) entities, and if so, what those different methodologies should be with the goal to ensure that all proposals are in compliance with existing Public Utilities Code Sections. Since the proceeding record for A. 15-06-001 was closed by D.15-12-022, it was necessary to find another proceeding in which to hold the workshop.

II. The Workshop was ordered to take place in PG&E's 2015 ERRA Forecast proceeding (A. 14-05-024) which was still open

Application 14-05-024[3] has two phases, phase I and II. Phase I was completed with the issuance of D.14-12-053 approving Pacific Gas & Electric's (PG&E) 2015 Energy Resource Recovery Account (ERRA) Forecast. Phase II is still open and is addressing PCIA vintaging issues for CCA customers. The Commission ordered the workshop to be held in Phase II of this proceeding.

B. PCIA Workshop: Morning Session

The workshop took place Tuesday, March 8, 2016, from 10 a.m. to 3 p.m. (with an approximately one-hour break for lunch) in the Auditorium at the California Public Utilities Commission's (CPUC) San Francisco headquarters. The workshop agenda is included as Attachment A.

CPUC Commissioner Michel Florio, his Chief of Staff Sepideh Khosrowjah, Administrative Law Judge (ALJ) Tsen, the CPUC's attorney Mitchell Shapson, CPUC Energy Division, elected officials, representatives from dozens of organizations (too many to list here), as well as members of the public attended the workshop.

Commissioner Florio made opening remarks regarding his expectations and aspirations for the workshop. He clarified that this was intended to be primarily a technical workshop to go over the details of how the PCIA is calculated and to hear ideas people have about potential changes. He noted that the job of the CPUC is challenging. He stated his belief that this workshop was a launching-off point to

[3] A.14-08-023 was consolidated with A.14-05-024.

identify issues and potential solutions. While ALJ Tsen will issue a proposed decision in phase II of PG&E's 2015 ERRA Forecast, the PD is unlikely to resolve PCIA issues raised in this workshop.

Next, CPUC Energy Division Public Utilities Regulatory Analyst Will Maguire reviewed the agenda and set some ground rules and expectations for the meeting. He thanked his colleagues at the CPUC for their help preparing for the workshop as well as all the parties who responded to the "Optional Homework Assignment." He then indicated that Homework questions 3 and 4 were largely <u>not</u> going to be discussed because there was either consensus or the topic expanded the scope of the workshop too broadly.

I. Utilities' Presentation: The Mechanics of the Power Charge Indifference Adjustment

a. Summary

Robert Kenney, of PG&E, began the presentation on behalf of PG&E, San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE). The presentation focused on how PG&E calculates the PCIA, but the other two large electric utilities in California had reviewed the contents and endorsed them as being substantially similar to the manner in which they calculated the PCIA. Mr. Kenny focused on guiding principles used to calculate the PCIA. These included adhering to the principle of bundled customer indifference to departing load, reflecting current market value, being transparent while maintaining confidentiality, being durable, and being administratively feasible. Then Mr. Kenny reviewed some of the legislation and Commission decisions which have shaped the PCIA calculation inputs and methodologies. Notably, Assembly Bill (AB) 117 (2001) (P.U. Code Section 366.2) first allowed California cities and counties to aggregate load and sell electricity; D.02-11-022 adopted a mechanism for cost responsibility surcharges associated with Department of Water Resources (DWR) power; D.06-07-030 adopted the original PCIA methodology; D.07-01-030 adjusted the capacity adder component of the

Market Price Benchmark (MPB) portion of the PCIA; and D.11-12-018 and Resolution E-4475 updated the MPB to include a modified capacity adder and a "Green Adder".

Next, Donna Barry of PG&E discussed the mechanics of the Total Portfolio Cost portion of the PCIA calculation. To summarize the calculation in simple terms: Total Portfolio Costs minus Market Value of the portfolio equals the Indifference Amount. To get the vintaged PCIA, the utilities subtract out the Ongoing Competition Transition Charge (CTC)[4] from the Indifference Amount, which are associated with the legacy (pre-1996) contract commitments. Ms. Barry elaborated that the Portfolio Costs component contains a mixture of vintaged and non-vintaged resources. The vintaged resources included post-2002 Utility Owned Generation (UOG) and post-2002 contracts. The non-vintaged resources include DWR Revenue Requirement and Legacy (pre-1996) UOG and legacy Qualifying Facility (QF) contract costs, fuel costs, and expected generation output. Other inputs also impact the PCIA calculation such as one-time pass-through adjustments that benefit customers paying the PCIA like UOG photovoltaic rebates (PG&E), San Onofre Nuclear Generating Station costs (SDG&E and SCE), California Department of Water Resources (DWR) rebates, and the U.S. Department of Energy (DOE) litigation rebates. Finally, Ms. Barry presented detailed equations showing the actual math behind the calculations, which can be viewed in Appendix D and can be found at http://www.cpuc.ca.gov/General.aspx?id=2567/.

b. Notes from Question and Answer Discussion: Access to Confidential Information

Summary of Discussion: The Q/A discussion focused on the issue of CCA and DA parties' access to the confidential terms and pricing information related to power purchase contracts. Energy Division staff noted that under the Commission's rules, Direct Access (DA) and CCA parties can have access to confidential information subject to signing a Non-Disclosure Agreement (NDA). PG&E stated that parties

[4] A Competitive Transition Charge is a charge added to a customer's electrical bill which is intended to help an electric utility pay down stranded costs incurred as a result of transition from a regulated market to a deregulated one.

do have access, but have not requested it, but CPUC's Office of Ratepayer Advocates (ORA) typically requests confidential work papers.

DA/CCA parties stated that in practice it is hard for them to meet the conditions of non-disclosure agreement (NDA) and access the information because they are market participants and it is hard for them to find consultants who will meet the non-market participant condition and thus be able to sign the potential NDA.

II. CPUC's Energy Division Presentation: Calculation of the Market Price Benchmark

a. Summary

Syche Cai, Regulatory Analyst in the CPUC's Energy Division presented next on the CPUC's role in calculating the PCIA, particularly the Market Price Benchmark (MPB). She reviewed the statutory background of the PCIA, largely overlapping with the historical information presented by the utilities in the previous presentation. She then explained the MPB's inputs and its data sources. Notably, the MPB is made up of three main components—the Brown Adder, the Green Adder and the Capacity Adder. She pointed out that for the Brown Adder, Energy Division updates the value based on a weighted average of a 1-year forward strip of on-peak and off-peak power based on October natural gas price data provided by Platts, which is a subscription-based data service. The Green Adder is intended to represent the market value of Renewable Portfolio Standard (RPS) resources in the utilities' vintaged portfolios. Finally, she noted that the Capacity Adder is intended to represent the Resource Adequacy (RA) attributes provided by the vintaged portfolio.

Ms. Cai elaborated on the details of the MPB. For example, the Green Adder is calculated by adding the IOU RPS resources (weighted at 68% of the total portion Green Adder) to the DOE Adder (weighted at 32% of the total portion of the Green Adder.

She also discussed a sample MPB calculation using actual historical data from PG&E's 2013 ERRA Forecast, which is no longer confidential. That example can be seen in Appendix D, Slide 9 of Ms. Cai's presentation, which can be found at http://www.cpuc.ca.gov/General.aspx?id=2567/.

b. Notes from Question and Answer Discussion: Explanation of the Market Price Benchmark

Summary of Discussion: The discussion focused on clarifying the components of the PCIA calculation. Parties discussed the goal of the Market Price Benchmark and the sample calculation provided in Ms. Cai's presentation. Additionally, parties asked questions about areas of confusion, and discussed more detailed points, such as the Western Electricity Coordinating Council (WECC) premium and the brown benchmark number. Parties received clarification for various questions about the current PCIA calculation and methodology.

In response to a question about why net capacity is not calculated in the renewable portion, SCE clarified that capacity is stripped out in the MPB because there is a separate benchmark for capacity.

Energy Division staff clarified that Platts data is only confidential because Platts does not allow sharing it with non-subscribers, but anybody can subscribe to this publication. Energy Division staff also stated that they had reviewed PG&E's proprietary P^3 model and its inputs and saw how it works. Energy Division staff explained that the goal of these calculations is to come up with a charge that would keep bundled customers financially indifferent to departing load.

Commissioner Florio explained that the MPB is meant to represent what a service provider might pay today if assembling a portfolio from scratch based on market prices for various components that are required to serve customers energy, capacity, and RPS. The MPB, he explained, measures the worth of the utility's portfolio in market today if one were to sell or buy it.

Energy Division staff responded to a question about WECC and explained that the WECC average is the premium for the renewable programs that are added.

PG&E further clarified that there are three components to the MPB, the brown power, Capacity Adder, and Green Adder. The Green Adder has two components: the IOU renewable resource portfolio which is weighted at 68% and the green pricing premium with a 32% weightage. The green pricing premium is the federal Department of Energy green pricing program premium average for the western states. The 68%/32% weighting factors of the Green Adder were specified in Commission Resolution E-4475. The weighted average of the IOU ‘s renewable portfolio with the green pricing programs in the western US is intended to be another data point to not base the green adder calculation solely on the IOUs’ own renewable resource portfolios.

III. Direct Access parties’ Presentation: Recommendations for Power Charge Indifference Adjustment Reform

a. Summary

Mark Fulmer, for Direct Access Customer Coalition (DACC), Alliance for Retail Energy Markets (AREM), and Shell Energy North America (SENA) presented the Direct Access perspective on the PCIA. He discussed the background of the DA customers, who represent 13% of the three IOU’s combined load and 21% of the commercial/industrial load. Importantly, Mr. Fulmer noted that the DA program has reached its statutory caps since DA was partially re-opened several years ago. There will be no new load growth without more legislation (with the exception that existing DA customers can increase their own load).

He presented three main recommendations: prepayment of the PCIA, a limit or “sunset” on the number of years a DA customer pays the PCIA, and no new vintages on the PCIA for DA customers. Among the reasons for these recommendations—they would allow DA customers to better predict and manage their expenses, PCIA was an “ongoing liability,” and paying for electricity to a party from whom they last took service, in some cases, 10 or 15 years ago, seemed inappropriate. As to the “pre-payment” option, this would allow utilities to estimate the net present value of future PCIA payments and those amounts could be paid by DA customers into the ERRA to maintain bundled customer indifference. It is worth noting that the CCA parties, later in the Workshop, also suggested this among their proposed "menu of options" for PCIA payment. Mr. Fulmer also noted that this sort of process has been used in the past to account for departing municipal load. He argued that when done in good faith, the risk of over- or under-collection should be symmetrical as between the IOU and the DA customer. Importantly, while this pre-payment option would need to be negotiated on a customer-specific basis with the utility, a uniform method for calculating the prepayment would need to be in place.

Next, as to the "sunset" on the PCIA recommendation, Mr. Fulmer suggested that it would better balance the bundled customer indifference principle with the departing load obligations. He also mentioned that other jurisdictions do not have ongoing stranded costs. Additionally, he suggested that utilities should procure in a manner that better accounts for customer migration.

Then, Mr. Fulmer recommended that DA should not receive any new PCIA vintages since the amount of total DA is capped by statute. He explained that since new DA load is simply replacing DA load that leave the state or returns to bundled utility service, there is no need to create new vintage. The utility has already explicitly accounted for that amount of load (not necessarily that specific customer) departing in its forecast.

Finally, Mr. Fulmer re-iterated that DA and CCA parties should be treated the same vis-à-vis the PCIA, he was agnostic as to "large" departing load treatment as long as DA customers are not harmed, and transparency in inputs and calculations should be increased wherever possible.

b. Notes from Question and Answer Discussion: Utilities' Obligation to Serve

The Q/A on this section touched on the fact the utility is the provider of last resort and has the obligation to serve. Mr. Fulmer was asked how the pre-payment option would work and what would happen if a customer who had made the pre-payment decided to come back to utility service. Commissioner Florio asked Mr. Fulmer about how Nevada implemented the charge for departing customers. Mr. Fulmer explained that the calculation and mechanics in Nevada was very different, because they had what he described as "much larger numbers." The different contexts make this hard to compare. In response to a question from PG&E, Mr. Fulmer explained that the pre-pay proposal was a customer-specific obligation.

IV. Community Choice Aggregation Parties' Presentation: Recommendations for PCIA Reform

a. Summary

Kevin Haroff, Vice Mayor of the City of Larkspur and a Board Member of Marin Clean Energy (MCE), strongly encouraged the CPUC to reduce the future PCIA increases.

Geof Syphers, CEO of Sonoma Clean Power (SCP) presented recommendations for changes to the PCIA. First, he discussed the PCIA vintaging issue which was covered in this proceeding in a previous workshop that took place on March 12, 2015. A video webcast recording of that workshop is available at: http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M151/K340/151340482.PDF. Then, he argued that avoidable utility costs are getting added to PCIA. He cited a PG&E data response that stated that the value of 38 existing energy contracts changed their value in a way that affected the 2016 PCIA. He argues that those expanded contract volumes should be considered new contracts and thus only be made applicable to future vintages, not existing ones.

Next, Mr. Syphers emphasized the need to improve data access to allow for long-term PCIA forecasts. Specifically, he requested that the utilities provide CCA/DA parties with annual estimates, per vintage year, of an "Indicator Metric" what the PCIA will be for the next ten years plus or minus 30% of the market price benchmark. This type of forecast, he explains, would allow the CCA/DA communities to use this number and make the own predictions about what rates would be in the future. He also discussed how resetting vintaging for customers who move does not match policy because their loads generally are unchanged.

Finally, Mr. Syphers urged a deeper policy review of the PCIA. For example, he raised the question of whether the PCIA can go negative. He asked for a definition of departed load as it relates to IOU load growth. He also recommended a more formal proceeding to review these and other PCIA-related policies in the near future.

The next presentation was from Jeremy Waen of MCE. His suggestions for "meaningful PCIA reform" focused on three themes—Transparency, Accountability, and Reasonableness. As to Transparency, he stressed the need for increased access to confidential utility pricing information for public agencies like CCAs. He suggested making the pricing information public upon approval by the CPUC or, in the alternative, after one year, instead of the current three-year limit. He also echoed Mr. Syphers' call for the 10-year PCIA forecast.

As to Accountability, Mr. Waen argued that IOUs are protected from competition from CCAs because they are not held accountable to minimize stranded costs. He said that this creates an unfair competitive advantage for IOUs relative to CCAs and that it encourages poor procurement planning by IOUs. He pointed to P.U. Code 366.2(f)(2), which states that CCA customers are responsible to pay for "estimated net unavoidable contract costs attributable to the customer." Further, he pointed to D.04-12-026 which stated that the PCIA should not include costs "that may have been avoidable." To accomplish this, he recommended an annual CPUC-led audit to ensure avoidable costs are excluded from the PCIA.

As to reasonableness, Mr. Waen stated his belief that the PCIA is unreasonable because it lacks clear durations limits, is highly volatile, and difficult to effectively explain to CCA customers. He asked for the CPUC to clarify the duration limits as they pertain to PCIA cost recovery. He asked for a 10-year limit on all resource types. (It bears noting, as we will see below, that the current limits are 10 years for non-renewable contracts and the life of the contract for renewable contracts, which can be up to 25 years in duration). He introduced the concept of a "menu of options" for departing load customers/providers for

PCIA re-payment which could include paying the annually adjusted PCIA rate or paying a fixed valuation via an upfront lump sum payment by the CCA or allowing the CCA or its customers to amortize the PCIA costs over a fixed duration. He also recommended the MPB use multi-year gas prices rather than the "spot market."

b. Summary of Notes from Question and Answer Discussion: Utility Efforts to Mitigate Costs, Challenges to Access of Confidential Utility Information, and Competition

Summary of Discussion: The discussion focused on the following topics: market competition; mitigation of costs; and the feasibility of signing a Non-Disclosure Agreement (NDA) to review confidential utility information. CCA parties remain concerned about the IOU's efforts to mitigate stranded costs, and also asserted that use of a NDA to access confidential utility information is essentially unfeasible under the current restrictions.

Commissioner Florio responded to a question from San Diego Energy District about whether the electricity industry is moving to a more competitive market. He noted that while he could not speak for the entire Commission, in his view, competition is happening as evidenced by the fact that CCAs appear to be thriving. Although that the utility is protected by law when they sign an approved contract that is administered prudently, he emphasized that their activities are still heavily regulated by statute and by the Commission, such as ORA's annual review of procurement.

Eric Brooks, of Californians for Energy Choice, commented on the meaning of "competition" in this context, and noted that even though Assembly Bill (AB) 117 forces competition, CCAs are not competitive profit-driven actors, but public entities that are set up to serve the public good.

Jeremy Waen, of MCE, responded to a question from Energy Division about the constraints involved if an MCE analyst were to sign a NDA to review the IOU's confidential pricing data. Mr. Waen clarified that any employee of a market participant *cannot* view the IOU's confidential pricing data, and that only a consultant who is excluded from the market participation is allowed to do so. An unidentified CCA representative shared that out of 11 consultants sought, not one would agree to sign such a NDA.

Stan Sparrow, of Tiburon, stated that he is concerned about CPUC and PG&E corruption.

LUNCH BREAK

C. PCIA Workshop: Afternoon Session

I. Discussion of Proposed Technical Changes and Recommendations: Sunset on the Power Charge Indifference Adjustment and Changes to the Market Price Benchmark Green Adder

a. Sunset on PCIA

<u>Summary of Discussion:</u> The discussion focused on the cost recovery limitations, consistency with the Long Term Planning Proceeding (LTPP), potential impacts of a 10-year sunset rule regarding the PCIA, and the need for predictability of the PCIA. In summary, parties disagreed and there was no consensus on these technical changes.

Will Maguire, of the CPUC Energy Division, introduced the topic of limiting stranded cost recovery and implementing a “sunset” for the PCIA. Charles Middlekauff, of PG&E, clarified that there is a recovery for non-renewable contracts of 10 years, and the recovery period of renewable contracts is the length of the contract, which typically ranges from 10 to 25 years. Donna Barry from PG&E added that for utility-owned generation (UOG), there is a 10 year recovery limit. Russell Archer from SCE added that “legacy” UOG is treated differently for SCE. Jeremy Waen from MCE responded that that there is a need for clarity on this issue, as a prior Commission decision seems to indicate both 10 and 15 years for conventional resource cost recovery.

When the CCA parties were asked why there should be an artificial limit to the cost recovery period if it is currently the life of the contract, Geof Syphers responded that the PCIA insulates the IOUs and ensures that there is no effect of competition.

Richard McCann, of M Cubed, also responded that a "10 year roll off" makes sense because at the time customers decide to depart from the utility, one would expect an average life of the portfolio contracts to be about the average length of a Power Purchase Agreement, which is 10 years.

Beth Kelly from MCE then pointed out that the 10 year time duration is consistent with what the CPUC uses for in Long Term Procurement Plan (LTPP), and so to extend cost recovery even further seems inconsistent.

Charles Middlekauff from PG&E noted that Public Utilities Code Section 366.2 (f)(2) stated that the recovery period is the "duration of the contract." He also emphasized the need to distinguish between contracts that have already been executed and future contracts, and that utilities entered into past contracts with the expectation that the cost recovery period would be the length of the contract.

John Dalessi from Pacific Energy Advisors (PEA) spoke to the need to minimize the PCIA and encourage IOUs to plan with a flexible portfolio.

Commissioner Florio responded that utilities get much better prices with longer term contracts than for shorter term contracts, and that using only shorter term contracts could result in higher cost for everyone, which is not in customers' best interests.

Mary Lynch from Constellation Energy shared that from a DA perspective, it is important to recognize that by adding terms and extending a contract, essentiality a new contract is created.

Mark Fulmer from DACC/AREM/SENA added that he sees the cost recovery issue as a red herring, in that limiting the PCIA to 10 years does not limit IOU's recovery to 10 years, and the more important issue is accounting for departing load in procurement.

Barbara Barkovich from CLECA noted that CLECLA is in a position where some of their customers are bundled and some are not, so they really are trying to think of what is the fairest way to approach this issue. Even in light of that, she said that there is a need for more predictability. She noted that it is difficult to tell a DA customer who has been DA since 2001 why he is still paying a PCIA and why there is a Competition Transition Charge.

Commissioner Florio was asked whether a simpler alternative to the PCIA could be possible. He responded that if there was a clear way that all parties could agree on, the Commission would be delighted, but given the nature of the competing interests involved it would be difficult to satisfy all parties' concerns.

Kirby Dusel from PEA asked how the use of RPS fits in to this framework, and expressed interest in addressing the topic of alternative renewable energy products, which are often contracted on a shorter term basis.

b. Market Price Benchmark Green Adder Changes: Recommendations to Reduce Volatility

Summary of Discussion: The discussion here focused on the Green Adder component being volatile because there have been fluctuation in market prices for renewables. While the utilities were fine with the use of one year forward prices, CCA and DA parties were concerned that Platts does not capture long term prices. Parties also discussed the implications of an annual true-up process. Parties discussed ways to better approximate what is in utilities' portfolios, but no consensus was reached.

Sienna Rogers from PG&E encouraged the Commission to explore the use of other market-related information to obtain better data to calculate the market price benchmark. Desire Wong from SCE also pointed out that part of the reason for the large fluctuation [seen] in the [2016] PCIA was due to the Green Adder methodology, which is based on [the average cost of] newly delivering renewable contacts, [and contract costs] can vary significantly from year to year.

Commissioner Florio asked the group whether there is a widely recognized publication that parties could agree on that would be comparable to what is used for brown power. Chris Smith from PG&E suggested Platts, which is more recently available and is the same resource used for brown power.

Parties then shared various perspectives on the adequacy of the data from Platts to create an accurate market index. Carolyn Kehrein from Energy Users Forum shared her concern that Platts does not sufficiently represent what the CPUC is ordering the utilities to do, and encouraged the CPUC to find a more on point publication. Kevin Woodruff, Consultant for TURN, noted that he looked at the Platts data and noticed that there are different buckets of information, although they may not account for long term prices. James Henry from SFPUC agreed that Platts seems to be short-term and does not reflect long-term contracting commitments required by statute. He added that there is a need for multiple contract benchmarks, accounting for both long-term and short-term contracts.

Jeremy Waen from MCE affirmed the concern over just using the Platts short term data. Geof Syphers from SCP agreed with Mr. Waen, and pointed out that the need to consider long term contracts is even greater given the fact that CCA load is forecasted to grow rapidly.

Commissioner Florio responded to a question from TURN about the feasibility of an annual true-up, and recalled that early on there was a true-up in the context of the changes made in 2010 and 2011. Commissioner Florio shared that it was the DA customers who preferred the certainty of a known PCIA for the year rather than something that would be subject to true-up later. He added that the Commission could do either one, but that there are definite advantages and disadvantages to both. He added that in his experience the true-up can be a double-edged sword, as his anecdotal impression is that the utilities tend to under-collect rather than over-collect. John Dalessi from PEA responded that he did not think a true-up would address the real problems with the PCIA, such as the Green Adder

Kevin Woodruff, consultant for TURN, observed that the PCIA conceptually is a very simple calculation and relies on forward market prices to some degree, and noted that he does not see a long-term market for RECs at this point.

Jan Pepper from Silicon Valley Power/City of Los Altos commented that a lesson learned from the energy crisis in the late 1990s was that there is a need for a portfolio approach with short-,mid-, and long-term contracts. Likewise, Ms. Pepper stated, the MPB should not be based on a single spot price.

Tony Choi, of Noble Solutions, asked about whether the current PCIA mechanism charges DA and CCA customers for IOU purchases even if those purchases exceed what is needed for IOU's RPS compliance.

Carolyn Kehrein, of Energy Users Forum, asked about what is in the total portfolio costs and what is in the benchmark costs. She noted that the percentage of RPS is different for each vintage.

II. Discussion of Proposed Policy Changes: Menu of Options, Increased Transparency, and Working Group

a. Menu of Options/Pursuing Settlement

Summary of discussion: The discussion focused on the following topics: the benefits of a menu of options for CCA and DA customers; potential ways to increase utility transparency to CCA/DA entities and their customers; and whether a settlement between parties could be feasible if parties chose to negotiate. Although nothing in the Public Utilities Code prevents settlement in this context, some parties expressed concern about bargaining power, organizational challenges with a multitude of parties, and the need for a new proceeding to clarify issues. Parties also explored whether there might be a way to offset PCIA obligations for increased renewable procurement. In summary, parties discussed various "menus of options,"[5] settlement, and other issues, but no consensus was reached.

Energy Division introduced the next topic of the so-called "menu of options," where customers/providers have the potential alternative option of paying a lump sum payment rather than paying the vintaged PCIA.

[5] The term "menu of options" refers to a solution discussed in several parties' homework responses. Suggestions for the "menu of options" have included various alternative repayment methods to the annual PCIA that would provide CCA/DA entities with choices in how to repay the long term procurement costs of the departing customers' load. This repayment is designed to leave the IOU's bundled customers "financially indifferent" to the existing electric procurement costs of the departed customers. These long term electric procurement costs were incurred on behalf of the departed customers by the IOU.

MCE stated that this “menu of options” would be more efficient and would work better for their customers. PG&E said that this option could address many of the duration issues discussed earlier, so long as there is a mechanism that also preserves bundled customer indifference. PG&E noted that it is willing to discuss the issue further, and added that in absence of a menu of options, PG&E is also interested in how to provide at least more tools for forecasting.

PG&E’s attorney answered a question from Commission Florio about whether anything in the Commission’s rules would prevent a utility and a CCA from negotiating a buyout of the PCIA. PG&E responded that nothing in the Commissioner’s rules precludes a buyout, and that settlement negotiations might provide a good opportunity to discuss these issues in greater detail.

Roger Lin from Communities for a Better Environment commented on the need to consider environmental justice, and said that any menu of options should consider its effects on those with low-income.

Brian Stevens from the City and County of San Francisco/CleanPowerSF noted that one of the big problems with the PCIA is that it provides a disincentive to the CCAs from doing any kind of long-term contracting for resources, because as renewable prices go down the PCIA increases, and very quickly the CCAs can be burdened with some massive stranded costs.

MCE noted that if parties attempt settlement negotiations, there would have to be clarity on a couple of issues. That the IOU is the provider of last resort for a large departing load and more general transparency issues may prove challenging for negotiations. DACC/AREM/SENA, noted that a buyout poses a unique challenge to DA entities because there are many more actors, and so agreeing on terms may not be feasible for them.

TURN, noted that while a buyout may be theoretically possible, the key companion issue is what happens to the IOU’s obligation to serve and remain as a provider of last resort. He suggested that this important public policy issue may have to be addressed by the legislature. Energy Division also emphasized the importance of considering an IOU's obligation to serve in the context of the legislature's and the Commission's desire to ensure that there is enough steel in the ground.

Mary Lynch, Constellation Energy, noted that without a guiding framework, buyout negotiation from the DA perspective would be challenging. She suggested that there should be rules controlling how to establish bundled customer indifference for those people who do not seek a buyout.

Sue Mara, of AREM/DACC, believes the PCIA has nothing to do with obligation to serve, and that that reliability issues should be brought up in the context of the Cost Allocation Mechanism (CAM).

Scott Blaising, counsel for Lancaster Choice Energy, noted that he thought it would help to have express authority given to CCAs and IOUs to enter into what are effectively called lump sum payments. Mr. Blaising noted that on the municipal departing load issue, there is express authority in the Resolutions for municipal entities to enter into agreements.

Mr. Blaising identified two major elements that he felt required more attention: 1) negative indifference and 2) the need for a proposed decision addressing re-vintaging as soon as possible. He noted that negative indifference has been a key factor in the negotiations he participated in with municipalities, and that there was an assumption that in the early years there likely would be above-market costs, but over time, there would likely be below market costs. Consequently the utilities were willing to use off-sets when determining that full and final amount. He also noted that establishing a lump sum value would be incredibly difficult if we are re-vintaging every year.

John Leslie, counsel for Shell Energy, supported Mr. Fulmer's proposal. Mr. Leslie wondered if there is a way for a CCA or Electric Service Provide (ESP) to commit to a higher proportion of renewable supply/storage/supply in return for some offset to some PCIA obligation that its customers might bear.

Brian Stevens, of City and County of San Francisco/CleanPowerSF, echoed Shell's comments, and reiterated that CCAs provide a benefit to all ratepayers, not just CCA customers, of a GHG emission factor that is lower than that of the utilities. Mr. Stevens added that CCAs should be given some credit for the value of this contribution made to society.

Richard McCann, of M Cubed, noted that the MPB should reflect what CCAs are purchasing in their portfolios, and thus should reflect 50-100% renewables so we understand the true customer indifference.

b. **Working Group/Petitions for Modification**

Summary of Discussion: The discussion focused on the possibility of a working group to address these issues further, as well as ways to increase transparency while maintaining confidentiality of market-sensitive information. While parties expressed openness to this proposal, the use of a more formal proceeding was also suggested.

Energy Division began the discussion by asking how parties felt about a working group and a single source document that would explain the PCIA methodology and inputs. The objective would be to see if the working group could produce something that would be filed in a formal proceeding.

Commissioner Florio noted that Petitions for Modification (PFMs) would likely be the easiest way to get something before the Commission. He also pointed out that D.11-12-018 and R.07-05-025 might be the dockets to file in, and that for confidentiality issues, D. 06-06-066 was the primary decision. He added that the Commission could always decide to open a new docket, but that he could not commit his colleagues to that course. Shell Energy, observed that given the breadth and depth of the comments at this workshop , an Order Instituting Rulemaking (OIR) proceeding may be warranted to address all the issues raised. Commissioner Florio responded that while that would certainly be ideal, the current shortage of ALJs may pose a challenge to opening a new Rulemaking.

An unidentified speaker from South San Joaquin Irrigation District noted that a lot of these issues implicate municipal departing load, and that they do not have a voice here. He stated that determining whether a large departing load requires its own proceeding is an incredibly important issue.

c. Transparency/Confidentiality Reforms

Summary of Discussion: This discussion focused on the need for increased transparency. It was noted that settlement negotiations could provide an opportunity for more frank and transparent sharing of information.

MCE asserted that a working group would only be effective if members could share information openly, and current confidentiality rules would pose a challenge. SCE responded that the current confidentiality rules should be maintained because they protect market integrity. PG&E, addressed MCE's point about the need for information, and suggested that settlement negotiations may provide a secure forum to have transparent conversations.

III. Public Comment

Speakers were offered an opportunity to sign up to speak for one minute during the Public Comment period. Below are brief summaries of the broad range of issues raised.

Carolyn Kehrein, of Energy Users Forum, noted that that there is a disconnect in the amount of renewables in the benchmark versus the portfolio cost. This, she said, is due to the fact that the historical RPS percentage is what is used in the benchmark, but the current RPS cost is what is used in the total portfolio cost. She emphasized that the indifference amount was meant to reflect the utility's portfolio at the time the customer left the utility.

Richard McCann, of M Cubed, noted that CCAs generally have their contracts open to the public. He suggested that because CCAs are going to have a large share of the market in the coming years and that those prices will be public, the IOUs should also share that information.

Brian Pierce, representing Lake County, noted that Lake County is setting up a CCA program. Like many other small and low-income communities, they have limited opportunities and small margins for error and are concerned about the PCIA rising.

Erica Etelson, CA Alliance for Community Energy called for a sunset of PCIA within three years of departing load, and noted that once majority of people are CCA customers, millions of people will be paying twice for electricity.

Mary Morgan, Main Street Moms in West Marin, expressed support of CCAs and the reforms recommended by MCE, and noted the crucial importance of transparency in these reforms.

Ed Mainland, resident of Novato, noted that the CPUC should deeply look at alternatives to the PCIA and exit fees. He noted that the ordinary ratepayer looks at the PCIA as maybe another way to squeeze the ratepayer, and in some way damage the prospect of CCAs.

Roger Lin, of Communities for a Better Environment (CEB), said that he hoped the CPUC gives due consideration to California Alternate Rates for Energy (CARE) customers in this proceeding. He stressed the importance of considering how the PCIA affects low-income communities of color's ability to join the de-carbonized future. He noted that they have requested a public participation hearing in Richmond.

Doug Wilson, a Board member of Marin Conservation League, stated that he supports reducing GHG and supports CCA for that reason and urged the Commission to reexamine the PCIA.

Ted Howard, a consultant, asked how we reconcile the PCIA (charge for energy not consumed) with Demand Response (DR). He noted the need to consider the benefits, and not just the costs, of GHG reduction.

Melody Tovar, City of Sunnyvale, noted the City of Sunnyvale's concern about the PCIA's opacity and duration, and added that the IOUS should do more to reduce avoided costs.

Alex Porteshawver, City of Walnut Creek and City of Benicia, noted that Walnut Creek is considering implementing a CCA program, and that they need a clearly-defined end-point for PCIA, and greater transparency regarding PCIA inputs so that its reasonableness can be examined and verified.

Pradeep Gupta, Councilmember for City of South San Francisco, noted that most of their customers have moved to CCA not for cheaper power, but for the option of buying from cleaner sources. He added that CCAs contribute to meeting state goals to reduce our carbon footprint, and their customers pay a premium to do this.

David McCoard, El Cerrito, noted that the Commission needs to ensure that the IOUs only include truly unavoidable costs and accurately forecast their load, and that the IOUs should drop, re-negotiate, or buyout contracts that are overly costly.

Eric Brooks, San Francisco Clean Energy Advocates, noted that CCAs need consistency over a 10 year period, and added that a separate workshop may be necessary for the large departing load issue. He also stated that there is a disparity in power and resources if a CCA were to negotiate with a.

Don Bray, of Joint Venture Silicon Valley, noted that transparency is essential, both for a work group as well as a settlement.

Jason Fried, of San Francisco Local Agency Formation Commission (LAFCO), noted that LAFCO supports a scoping memo, and that the PCIA should be clear, transparent, predictable, and fair to both departing customers and bundled.

Lisa Altiere, of 350 Bay Area, advocated for a new paradigm of regulation that takes into account the renewable goals of CCAs. She noted that policies should include long term price signals and flexibility in payment options.

Shawn Marshall, of Local Energy Aggregation Network (LEAN) Energy, U.S**,** pointed out that the PCIA does not exist in any other state that has choice. He noted that in the next five years, community choice could serve upward of 50% of load in California. The key issues, he said, are sunset, buyout, and transfer of contracts.

Demetra McBride, of County of Santa Clara, noted that the size and timing of the migrating load are integral, and suggested that an Order Instituting Rulemaking (OIR) may save the CPUC time in the long run.

IV. Review Workshop outcomes/action items/closing remarks

Following the Public Comment period, Will Maguire reviewed some of the main takeaways from the workshop. He re-iterated that the PCIA is an important and complicated issue; that it was not likely that some resolution would come out of this particular workshop alone; but that perhaps, the parties' positions were not as far apart as they might have previously thought. He also said he was encouraged by the progress we had made and would continue to make. He re-iterated that most of issues identified would need to be addressed in a formal proceeding. The main takeaways from the March 8, 2016 "PCIA Inputs and Methodologies Workshop" are described in the following paragraphs.

There was serious interest in establishing an alternate sunset on PCIA of 10 years for all resources. However, P.U. Code 366.2(f)(2) seems to allow cost recovery for the duration of the contract. So a sunset may not be possible absent a legislative fix.

There was interest in finding an alternate source for the data used to calculate the Market Price Benchmark ,one that perhaps offers more of an accurate proxy for current market prices. The IOUs think Platts data is fine for the purpose. However, parties would like to see the proper mix of short- and medium-term contracts in the Market Price Benchmark. Parties are encouraged to continue working together to find an agreeable source of data.

There was great interest in creating a so-called "menu of options" for departing load customers to choose from when departing. These options could include paying the vintaged PCIA, paying one lump sum payment instead, or amortizing PCIA payments over a number of years. This is likely an issue that would need to be implemented via a subsequent Commission Decision. Parties are encouraged to continue settlement talks around this issue and/or discuss it in the to-be-established PCIA Working Group.

There was serious interest in increasing transparency of the PCIA, including increased access to confidential information. Parties are encouraged to seek qualified non-market participants, perhaps located outside of the state, to review the confidential IOU pricing information within the currently established confidentiality rules (D.06-06-066). Furthermore, parties agreed to work together, perhaps in the to-be-established PCIA Working Group to perhaps create a Petition for Modification (PFM).

Commissioner Florio brought the Workshop to a close, thanking everyone for their input, passion and hard work. He encouraged parties to continue working together to explore settlement of issues. Specifically, Commissioner Florio praised Sonoma Clean Power's 10-year Indicator Metric proposal, which would use an annually-produced ten-year schedule of data. He strongly encouraged the IOUs to consider pursuing that, noting importantly that it was "an indicator, not a promise." He offered that if the parties felt the need for Commission intervention, they should first attempt to work through Energy Division's staff working on CCA and DA issues.

Commissioner Florio closed by urging parties to reach agreement, so that the CPUC could approve those agreements more quickly.

D. Appendices

Appendix A: Workshop Agenda

Power Charge Indifference Adjustment Workshop* CPUC Auditorium * 3/8/16*

TIME	TOPIC	Leader/Notes
10:00-10:10	**Sign-in/Opening Remarks/Safety info**	**Commissioner Florio**
10:10-10:15	**Agenda Review, Goal Setting**	**Will Maguire, CPUC**
10:15-10:30	**Total Portfolio Cost presentation**	**PG&E,** on behalf of all utilities
10:30-10:45	**PCIA: Market Price Benchmark Calculation presentation**	**Syche Cai, CPUC**
10:45-11:15	**Direct Access perspective**	**Mark Fulmer, DACC/AREM/Shell**
11:15-11:45	**Community Choice Aggregation perspective**	**Kevin Haroff, Vice Mayor, City of Larkspur** **Jeremy Waen, Marin Clean Energy** **Geof Syphers, Sonoma Clean Power**
11:45-12:00	**Questions for presenters**	**All**
12:00-1:10	***Lunch***	
1:10-1:45	**Discuss Proposed Technical Changes**	**Led by Will Maguire, CPUC.** Topics may include: *stranded cost recovery should be limited to 10 years for all resource types; *Capacity Adder tied to CPUC Annual RA Report rather than MPB; *Market Price Benchmark should consider 5 years of natural gas prices instead of the current single year spot-market price; **Green Adder should use market index (Platts) rather than the current administratively-determined formula.
1:45-2:20	**Discuss Proposed Policy Changes**	**Led by Will Maguire, CPUC**. Topics may include: *Utilities provide PCIA forecasts going forward?; *True-up of ERRA Forecast and ERRA compliance; * PCIA Working Group; *Single source document on PCIA; *Menu of Options for repayment by departing load providers

2:20-2:40	**Public Comment**	**Members of Public,** comments limited to 1 minute each
2:40-2:50	**Review Workshop outcomes/action items**	**All**
2:50-3:00	**Adjourn/Closing Remarks**	**Cmr. Florio**

Appendix B: Workshop Announcement and Optional Homework Assignment

Workshop Announcement

What: Power Charge Indifference Adjustment (PCIA) Inputs and Methodologies (A.14-05-024)

When: March 8, 2016, 10:00 A.M.--3:00 P.M.

Where: CPUC Auditorium, 505 Van Ness Avenue, San Francisco, CA 94102

****Optional Homework Assignment for Power Charge Indifference Adjustment (PCIA) Workshop participants. See below.**

Thank for your interest in attending our PCIA Workshop. Your input is valuable as we endeavor to examine the PCIA's inputs and methodologies. **To help us make this workshop as productive and effective as possible, we invite you to please send your responses to the following prompts/questions below in writing to Will Maguire at wm4@cpuc.ca.gov, no later than end of day 2/16/16.** The responses will be shared with the service list for A.14-05-024 ahead of the workshop and may be incorporated into the workshop agenda.

1. **Please indicate your understanding of how the PCIA is calculated, identifying, in as much details as possible, each input to that calculation.**

2. **Do you believe the current PCIA methodology should be changed? If so, how and why? Please be as specific as possible.**

3. **How should the CPUC address the potential departure from bundled service of a very large load, such as the City of San Diego or County of Los Angeles? Would transferring contractual responsibility from an IOU to a CCA be an option?**

4. **Should Direct Access (DA) customers and Community Choice Aggregator (CCA) customers be treated differently vis-à-vis the PCIA? If so, why and how?**

5. **Can transparency regarding the calculation of the PCIA be increased while protecting valid interests in keeping certain information confidential?**

Appendix C: Responses to Optional Homework Assignment

Responses to the Optional Homework Assignment are made part of this Workshop Report by reference and are available online at the following page, under "CCA Information, March 8, 2016": http://www.cpuc.ca.gov/General.aspx?id=2567

Appendix D: Workshop Presentation Slides

Presentation slides from the Workshop are made part of this Workshop Report by reference and are available online at the following page, under "CCA Information, March 8, 2016": http://www.cpuc.ca.gov/General.aspx?id=2567